Article 15, C.R.S., service, nothing in these rules shall limit the ability of the applicant to seek or to obtain both a specific form of price regulation and a specific form of relaxed regulation, as provided for in Rules Regulating Emerging Competitive Telecommunications Service, 4 CCR 723-24.

RULE 4 CCR 723-38-4. APPLICATION FOR SPECIFIC FORMS OF PRICE REGULATION - CONTENTS OF APPLICATION; CRITERIA. To obtain a specific form of price regulation, an applicant shall file an application with the Commission for approval of such specific form of price regulation.

723-38-4.1 Contents of application. The application shall contain, in the following order and specifically identified, the following information, either in the application or in appropriately identified, attached exhibits:

723-38-4.1.1 The name, address, and telephone number of the applicant and the name(s) under which the applicant provides or will provide each local exchange telecommunications service for which a specific form of price regulation is sought;

723-38-4.1.2 The service or services for which a specific form of price regulation is requested;

723-38-4.1.3 A description of the specific form of price regulation requested on a service-specific basis and on an operating area, or smaller geographic area, basis;

723-38-4.1.4 If other than as provided by statute or rule, a description (a) of the type of public notice which the applicant proposes to give in connection with the specific form of price regulation, if granted, and (b) of the timing of that public notice;

723-38-4.1.5 The operating area(s), or smaller geographic area(s), stated in metes and bounds, in which the service will be offered under the requested specific form of price regulation;

723-38-4.1.6 A list of other known providers of the service or of similar or substitutable services and a description of any significant, functional differences between the applicant's service and other available services, if known;

723-38-4.1.7 The estimated market share held by the applicant for each service for which the requested specific form of price regulation is sought;

723-38-4.1.8 Any available cost and estimated demand data for each service for which the requested specific form of price regulation is sought;

723-38-4.1.9 A list of all currently effective tariff and price list pages for each service for which the requested specific form of price regulation is sought. The applicant must provide copies of the listed tariff and price list pages upon request by the Commission;

723-38-4.1.10 A description of all currently effective rate elements for each service for which the requested specific form of price regulation is sought;

723-38-4.1.11 If the provision of the service for which the requested specific form of price regulation is sought involves the use of investments and expenses that are jointly or commonly used to provide services (a) not subject to the specific form of price regulation sought or (b) not subject to the jurisdiction of the Commission, identification of, in accordance with the Uniform Systems of Accounts or other

Commission-approved methodology, the account numbers affected; and a brief description of the methods by which the jointly or commonly used assets, liabilities, revenues, and expenses are allocated between the relevant services;

723-38-4.1.12 If the Commission has not approved an accounting method to be used by the applicant in its offering of local exchange telecommunications services, a designation of the accounting method to be used to provide the service for which a specific form of price regulation is sought and a statement (not in the form of conclusory statements) explaining how the proposed accounting method meets the requirements of Rule 5;

723-38-4.1.13 If the Commission has approved an accounting method to be used by the applicant in its offering of local exchange telecommunications services, a statement (not in the form of conclusory statements) explaining how that accounting method meets the requirements of Rule 5;

723-38-4.1.14 A statement of the facts (not in the form of conclusory statements) relied upon by the applicant to show that a grant of the requested, specific form of price regulation to applicant is consistent with, and not contrary to, the statements of public policy contained in §§ 40-15-101, 40-15-501, 40-15-502, and 40-15-503(2)(c), C.R.S.;

723-38-4.1.15 A statement that the applicant agrees (a) to answer all questions propounded by the Commission or any authorized member of its staff concerning the application, the subject matter of the application, or any information supplied in support of the application and (b) to permit the Commission or any authorized member of its staff to inspect the applicant's books and records as part of the investigation into the

application, the subject matter of the application, or any information supplied in support of the application;

723-38-4.1.16 A statement indicating, if the application is assigned for hearing, the town or city where the applicant prefers the hearing to be held and any alternative choices;

723-38-4.1.17 A statement that the applicant understands that the filing of the application does not, by itself, constitute authority to operate under the requested specific form of price regulation and that the applicant shall not implement any provisions of the requested specific form of price regulation unless and until a Commission decision granting the application is issued;

723-38-4.1.18 A statement that, if the requested specific form of price regulation is granted, the applicant understands that the grant is conditioned upon: (a) filing of necessary advice letters and tariffs, transmittal letters and price lists, or adoption notices, as applicable; (b) compliance with statute and all applicable Commission rules; and (c) compliance with any and all conditions established by Commission order;

723-38-4.1.19 A statement that the applicant understands that, if contents of the application are found to be false or to contain misrepresentations, any specific form of price regulation granted may be, upon Commission order, null and void; and

723-38-4.1.20 An affidavit signed by an officer, a partner, an owner, or an employee, as appropriate, who is

authorized to act upon behalf of the applicant, stating that the contents of the application are true, accurate, and correct.

723-38-4.2 Applicant's notice of application. Within 14 days of filing an application for a specific form of price regulation, the applicant shall give notice of the application to all existing customers of the service for which a specific form of price regulation is sought. The applicant shall give notice in accordance with one of the methods of notice specified in § 40-3-104, C.R.S., unless the Commission approves a different means to notify existing customers. In addition, the applicant shall give notice by first class mail to all providers of local exchange telecommunications services who are identified in the list required by Rule 4.1.6 and who offer the service within the geographic area(s) in which the applicant proposes to offer service under the specific form of price regulation that is the subject of the application. The Commission will maintain, at its office, a current list of these providers with their mailing addresses. Not more than seven days after notice is given pursuant to this rule, the applicant shall provide the Commission with written verification of compliance with this rule.

723-38-4.3 Criteria and Commission consideration. In determining whether or not to grant an application, the Commission will, in the exercise of its sole discretion and judgment, and as appropriate, consider whether granting the requested, specific form of price regulation: (a) is suitable and appropriate under the circumstances; (b) is consistent with, and advances, the public policies contained in §§ 40-15-101, 40-15-501, 40-15-502, and 40-15-503(2)(c), C.R.S.; (c) will have

a beneficial effect on the availability of services to all consumers in the state at fair, just, reasonable, adequate, nondiscriminatory, and affordable rates; and (d) is not contrary to law or to Commission policy.

RULE 4 CCR 723-38-5. SEGREGATION OF ASSETS.

723-38-5.1 To define the regulated rate base and to implement alternatives to traditional rate-of-return regulation, it is necessary to segregate the assets, liabilities, revenues, and expenses associated with the service subject to a specific form of price regulation from the assets, liabilities, revenues, and expenses associated with all other regulated telecommunications services. As a result, and if deemed necessary, the Commission may require a provider which provides local exchange telecommunications service which is subject to a specific form of price regulation other than tradition rate-of-return regulation to file with the Commission an accounting plan that accomplishes this segregation of assets, liabilities, revenues, and expenses. If required, the accounting plan shall be filed within 30 days following a final Commission decision approving a specific form of price regulation.

723-38-5.2 In the event the Commission orders an applicant to file an accounting plan in accordance with Rule 5.1, the applicant shall not offer the service under the approved specific form of price regulation prior to Commission approval of an appropriate accounting plan to segregate assets, liabilities, revenues, and expenses of the service. In the event the Commission requires an accounting plan to segregate assets, liabilities, revenues, and expenses of the service, the

applicant shall, to the extent necessary, modify its cost separation manual required by the Cost Allocation Rules for Telecommunication Service and Telephone Utilities Providers, 4 CCR 723-27, to conform to the accounting plan required by the Commission.

723-38-5.3 If required by the Commission to file an accounting plan, the applicant shall bear the burden of proving that the accounting plan submitted is sufficient to segregate assets, liabilities, revenues, and expenses to permit the Commission to define the regulated rate base and to implement the alternatives to traditional rate-of-return regulation.

723-38-5.4 Small local exchange carriers exempted from filing a cost segregation manual pursuant to Cost Allocation Rules for Telecommunication Service and Telephone Utilities Providers, 4 CCR 723-27, shall not be required to file plans or updates but shall be required to follow the cost segregation rules.

RULE 4 CCR 723-38-6. ADDITIONAL PROCEDURES. The Commission may adopt such other procedures as it deems appropriate for services subject to its jurisdiction, consistent with the expression of public policy contained in §§ 40-15-101, 40-15-501, 40-15-502, and 40-15-503(2)(c), C.R.S.

RULE 4 CCR 723-38-7. REVISION OF TERMS OF APPROVED FORM OF PRICE REGULATION. On its own motion, or upon the application of the provider which has been granted the specific form of price regulation affected, and after notice and opportunity to be heard, the Commission may revise a specific form of price

regulation granted pursuant to these rules if the Commission finds that continued use of the approved specific form of price regulation is contrary to, or inconsistent with, statements of public policy in §§ 40-15-101, 40-15-501, 40-15-502, and 40-15-503(2)(c), C.R.S.

RULE 4 CCR 723-38-8. PROCESSING OF APPLICATIONS.

723-38-8.1 The Commission will process applications in accordance with the Rules of Practice and Procedure found at 4 CCR 723-1. The specific form of price regulation sought in an application shall not be in effect until the Commission issues an order approving it, with or without hearing.

723-38-8.2 The Commission shall deem all applications complete in accordance with the procedural requirements of 4 CCR 723-1, Rule 70.

723-38-8.3 Absent unusual or extraordinary circumstances, the Commission will reject an application that is incomplete (see 4 CCR 723-1, Rule 70) and will close the docket pertaining to that application.

RULE 4 CCR 723-38-9. COMBINED APPLICATIONS. An applicant may file a combined application to obtain a specific form of price regulation under these rules; to obtain a certificate to provide local exchange telecommunications services and operating authority under Rules Regulating the Authority to Offer Local Exchange Telecommunications Services, 4 CCR 723-35; to transfer a certificate, an operating authority, a CPCN, or a combination of these, under Rules Regulating Applications by Local Exchange Telecommunications Providers to Execute a Transfer,

4 CCR 723-36; and, if applicable, to obtain a specific form of relaxed regulation under Rules Regulating Emerging Competitive Telecommunications Service, 4 CCR 723-24; or to do any of these in combination. In a combined application, the applicant shall comply with the application process and provide all information required for each separate component of the combined application.

RULE 4 CCR 723-38-10. WAIVER OR VARIANCE. The Commission may permit a waiver or variance from these rules, if not contrary to law, for good cause shown if it finds that compliance is impossible, impracticable, or unreasonable.

(Decision No. C96-462)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

IN THE MATTER OF PROPOSED RULES REGARDING CERTIFICATION OF PROVIDERS OF LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES.	))))	DOCKET NO. 95R-555T

COMMISSION DECISION DENYING APPLICATIONS FOR REHEARING, REARGUMENT, OR RECONSIDERATION

Mailed Date: April 30, 1996
Adopted Date: April 25, 1996

I. **BY THE COMMISSION:**

A. This matter is before the Commission to consider the applications for rehearing, reargument, or reconsideration of Decision No. C96-333 ("applications"), which applications were timely filed by the Colorado Independent Telephone Association ("CITA"), and jointly by AT&T Communications of the Mountain States, Inc. ("AT&T") and MCI Telecommunications Corporation ("MCI") on April 18, 1996.

B. Decision No. C96-333 was mailed on March 29, 1996, and adopted Rules Regulating Applications by Local Exchange Telecommunications Providers for Specific Forms of Price Regulation, 4 CCR 723-38. The rules were appended to the decision.

C. The applications raise a number of issues for our consideration. For the reasons discussed below, among others, the Commission will deny the applications.

D. **Rule 2.10**. CITA states that it is concerned that the definition of "local exchange telecommunications service" adopted by the Commission may lead to confusion. It appears that CITA believes we have inappropriately mixed Part II and Part III services in the definition of "local exchange telecommunications services" and that we should have found "local exchange telecommunications services" to be synonymous with "basic local exchange service," which is a term defined in § 40-15-201, C.R.S. We disagree.

1. First, in light of the changed circumstances created by the enactment of § 40-15-501 et seq., C.R.S. ("Part 5"), and of the Telecommunications Act of 1996 (the "Act"), what we may have done historically is a less sure guide than previously. We are now faced with the obligation of implementing a regulatory environment in which competition can come into existence and function. Whatever the case may have been when local exchange telecommunications was a regulated monopoly, the period of transition to a fully competitive telecommunications marketplace demands new approaches and new definitions.

2. Second, we find it is necessary to have a definition for the term "local exchange telecommunications services" which encompasses more than the term "basic local exchange service." From our reading of the Colorado telecommunications statutory provisions, it appears to us that the General Assembly did not use the terms interchangeably and intended them to have different

meanings. We find that our differentiating between these terms is consistent with, and carries out, the legislative intent.

3. Third, the Colorado statute contains no definition of the term "local exchange telecommunications service." We are thus free to adopt a definition which, in our opinion, carries out the legislative intent. We have done so in Rule 2.10.

4. Fourth and finally, CITA did not identify the potential "confusion" which it asserts may result from the purportedly different definitions of similar terms in different sets of regulations. For each set of regulations, the definitions applicable to those rules govern. The definitions cited by CITA (application, page 2 at footnote 1) are contained in different regulations implementing different aspects of Part 5 and, to some extent, the Act. We find it is unnecessary and, perhaps, overly-restrictive to have the same definitions in regulations where the context may require different definitions.

5. For these reasons, among others, we will deny the application of CITA with respect to Rule 2.10.

E. **Rule 3.1.1.1.4.** CITA objects to this Rule because it provides for the possibility that the Commission may set for hearing a transmittal letter informing the Commission of a proposed price change within a band of rates. CITA seeks to have the Commission accept price changes without posssiblity for hearing. We disagree.

1. First, the procedure contained in Rule 3.1.1.1.4 is a parallel to the procedure in our Rules Regulating Emerging

Competitive Telecommunications Service, 4 CCR 723-24. We find that the procedure has worked well in that context. We find that the procedure is well-suited for use in these Rules pertaining to price regulation.

2. Second, we must retain the ability to review a price change within a band of rates. To change Rule 3.1.1.1.4 as suggested by CITA would be tantamount to relinquishing to a regulated entity our obligation to regulate. We cannot, and will not, abdicate our responsibility to assure that rates meet the statutory requirements.

3. For these reasons, among others, we will deny CITA's application with respect to this Rule.

F. **Rules 3.1.2.1 and 3.1.2.2**. AT&T and MCI, overall, "support the price regulation rules adopted by the Commission." Application at 1. Nonetheless, they raise issues about two Rules, each of which pertains to treatment of confidential filings under detariffed forms of price regulation. The reasons stated in the application do not persuade us that the rules should be changed.

1. AT&T and MCI state a general concern that "it is unclear as to whether the record supports the adoption of these two rules." Application at 2.

a. First, from this generalized statement we cannot discern what AT&T and MCI want the Commission to do. It is the burden of a person seeking reconsideration, reargument, or rehearing of a Commission decision to state clearly and

persuasively each argument in support of the application. AT&T and MCI have failed to satisfy their burden.

b. Second, although the public hearing in this rulemaking were stenographically recorded, to our knowledge, no transcript was prepared. As a result, we cannot address the rather vague assertion that there may be nothing in the record to support the rules.

c. Third, this is a rulemaking proceeding, not an adjudication. In light of the breadth of our Constitutional and statutory authority in the arena of public utility regulation and as a general matter of administrative law, we may adopt rules which were not specifically addressed during the hearings if, in our judgment, there is a necessity for such rules and if they fall within the subject matter of the notice of proposed rulemaking. In this case, we determined that rules were necessary. In arriving at our conclusion, we noticed the proposed rulemaking, identifying the general area of inquiry and setting out two possible versions of rules; took public comments (both written and oral); and considered and assimilated the information imparted by the comments, as well as our expertise and general experience in the area of telecommunications regulation. We have the right and the obligation to promulgate rules which, in our reasoned judgment, are necessary to achieve the regulatory objective. Here, we have issued regulations which we find to be necessary to preserve the confidentiality of highly-sensitive pricing and contract data received from local exchange telecommunications services providers.

2. AT&T and MCI also assert that "it is unclear what these rules are intended to address." Application at 2. The rules address the procedure by which an applicant informs the Commission of the way in which the applicant intends to implement a Commission decision granting a specific form of detariffed price regulation. *See* Rule 3.1.2.

3. AT&T and MCI express concern that the rules do not explain the procedure by which interested parties will have notice of a filing under these rules. AT&T and MCI suggest that this omission may implicate due process. AT&T and MCI have misunderstood the purpose of these rules. The rules do not contain, and we did not intend them to state, the procedural aspects of the Commission's review of a filed confidential price floor or of a filed confidential contract. Notice is procedural and will be governed either by our Rules of Practice and Procedure, 4 CCR 723-1, or by specific Commission order issued at the time a filing under these rules is made. In either event, notice will be adequate to meet due process considerations.

4. Finally, AT&T and MCI request that the Commission clarify Rule 3.1.2.2 to state that this rule does not apply to a contract which must be made available for review under § 252 of the Act. We find that this clarification is unnecessary. First, it is self-evident that the Act takes precedence over the regulation. Second, it may been overly broad to state, as AT&T and MCI wish us to do, that the contract in its entirety would be available to other telecommunications providers. The Act is new. This

Commission, the Federal Communications Commission, and the courts have not yet had an opportunity to construe or to interpret key provisions of the Act, including § 252. For the time being, we believe it is prudent to consider the meaning and impact of § 252 on a case-by-case basis as we and others gain understanding of, and experience under, the Act.

5. For these reasons, among others, we will deny the application of AT&T and MCI.

G. **Rule 3.1.3**. CITA asks the Commission to add the words "upon application of a provider" to this rule because, in CITA's opinion, the Commission should devise incentives for increased efficiency, productivity, and quality of service only upon the request of one or more providers. We disagree. At this time, we can devise incentives by a separate rulemaking, on our own motion, or upon request of one or more providers. Adding the language which CITA proposes would limit our discretion. As we discussed in Decision No. C96-333, we have embarked on an evolutionary process, a transition period, with the goal of achieving a fully competitive local exchange telecommunications marketplace. During this critical period, we must retain maximum flexibility. It is simply premature to restrict our options at this time. For these reasons, among others, we will deny CITA's application with respect to this rule.

H. CITA requests that the Commission adopt a new rule 3.4, which would read:

> Consolidated Application. Whenever an application for specific price regulation is filed for a specific

> geographical area as set forth in 723-38-4.1.5 by an applicant, all other providers in the effected area may file within thirty (30) days an application which seeks similar relief to that requested by the applicant. In such an event, the Commission will make a finding that there is effective competition between and among the providers in the geographic area pursuant to § 40-15-207 C.R.S. and find that any Part II service under § 40-15-201 C.R.S. will now be regulated pursuant to Part III. All applications would then be consolidated and resolved by the Commission in a consolidated proceeding.

Application at 6 (emphasis supplied). We are unpersuaded by CITA's arguments in support of this request. In addition, as discussed below, this proposal is contrary to the Colorado statute.

1. First, CITA asserts that the statutory differentiation between local exchange telecommunications services provided under Part 2 and local exchange telecommunications services provided under Part 3 results in improper disparate treatment. We disagree. The General Assembly has created a rationally-based regulatory scheme in which incumbent providers of local exchange telecommunications services are treated differently from new entrant providers. We are bound by the statutory construct.

2. Second, contrary to CITA's assertions, there is no evidence that the Commission will either adopt rules which improperly disadvantage a provider or implement rules in such a way as to disadvantage improperly a provider. If an action which we take under these, or any other, rules results in improper disparate treatment of a provider, the affected provider can bring it to our attention. We will address claims of disparate treatment in the particular factual setting in which they arise and on a

case-by-case basis. We see no reason to amend these rules at this time.

3. Third, in essence, CITA asks the Commission to read § 40-15-207, C.R.S., out of the Colorado statute. The General Assembly enacted Part 5 while keeping § 40-15-207 intact. In our view, the General Assembly intended to retain in full force the requirement that a Part 2 service be moved to Part 3 only after a hearing and only if the Commission is able to make the factual findings specified in the section. In sharp contrast to the Colorado statute, CITA's proposed rule 3.4 would have the Commission omit the hearing, omit the statutorily-required factual findings, and move directly to a finding of effective competition -- all on the basis of a new entrant's filing an application under these price regulation rules. This we are unable and unwilling to do.

4. Fourth, a portion of CITA's argument presumes that the Commission will *ipso facto* grant new entrants' applications for waivers of, or for variance from, Commission rules. This is a baseless presumption. The Commission will continue to consider each application for waiver or variance on its merits as it is received. There is no "guarantee" that an application will be granted.

5. Fifth, the rules as promulgated permit an incumbent provider, or any other provider, to file an application to receive a specific form of price regulation under the rules. In addition, any provider, whether an incumbent provider or a new entrant, can

file for a waiver or a variance under applicable rules. In appropriate circumstances, as determined on a case-by-case basis, an application filed by an incumbent provider may be consolidated with an application filed by a new entrant. This already-available procedure, in our view, is sufficient to address the concerns raised by CITA with respect to its proposed rule 3.4.

6. Sixth and finally, a substantial portion of the discussion in CITA's application is a restatement of points made by CITA during the rulemaking. CITA's comments received extensive treatment in Decision No. C96-333. CITA has presented nothing in its application which convinces us to change the rules as promulgated.

7. For these reasons, among others, we will deny CITA's application with respect to the addition of a new rule.

I. **Rule 4.1.14**. CITA asks us to add language to Rule 4.1.14 to comport with the Act. Application at 7. We are not persuaded that we should grant CITA's request.

1. CITA seeks to have this language added: "and, that such price regulation is not unduly economically burdensome and is technically feasible and consistent with 47 U.S.C. § 254." We are of the opinion that the language of Rule 4.1.14 is sufficiently broad to address all of CITA's concerns. If an application is set for hearing, the burden is on the applicant to establish that the

> grant of the requested, specific form of price regulation to applicant is consistent with, and not contrary to, the statements of public policy contained in §§ 40-15-101, 40-15-501, and 49-15-502, and 40-15-503(2)(c), C.R.S.[.]

Rule 4.1.14. This provides ample opportunity for any interested person, including the incumbent provider, to raise, for example, the issues contained in CITA's application. We believe that adding the language proposed by CITA may have the unintended effect of narrowing the issues to be considered.

2. For this reason, among others, we will deny this portion of CITA's application.

J. **Rule 5.1**. CITA requests the Commission to clarify Rule 5, the rule pertaining to segregation of assets, and particularly Rule 5.1, because CITA believes the rule as written is not sufficiently inclusive. We have reviewed Rule 5 in light of CITA's expressed concerns. We find that Rule 5, particularly when read in conjunction with Rules 4.1.11 - 4.1.13, is broad enough to encompass the situations described by CITA and to address CITA's concerns. For this reason, among others, we will deny CITA's application with respect to Rule 5.1.

K. We are convinced that the Rules as promulgated are appropriate. No change in the Rules is warranted.

II. ORDER

A. The Commission Orders That:

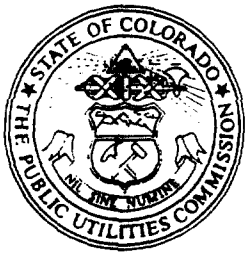
1. The applications for rehearing, reargument, or reconsideration filed by the Colorado Independent Telephone Association and jointly by AT&T Communications of the Mountain States, Inc., and MCI Telecommunications Corporation should be, and

hereby are, denied; and Decision No. C96-333 is affirmed in all particulars.

2. This Order is effective on its Mailed Date.

B. ADOPTED IN SPECIAL OPEN MEETING April 25, 1996.

(S E A L)



ATTEST: A TRUE COPY

Bruce N. Smith
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ROBERT J. HIX

VINCENT MAJKOWSKI

Commissioners

COMMISSIONER CHRISTINE E. M. ALVAREZ
RESIGNED EFFECTIVE APRIL 5, 1996.

(Decision No. C96-347)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

IN THE MATTER OF PROPOSED RULES)
REGARDING IMPLEMENTAION OF)
§§ 40-15-101 *ET. SEQ.*--REQUIRE-) DOCKET NO. 95R-556T
MENTS RELATING TO INTERCONNEC-)
TION AND UNBUNDLING.)

COMMISSION DECISION ADOPTING RULES

Mailed Date: April 1, 1996
Adopted Date: March 29, 1996

T A B L E O F C O N T E N T S

I. BY THE COMMISSION:

A. Procedural History

1. This matter comes before the Commission to consider adoption of rules relating to interconnection[1] and unbundling[2] of the networks of regulated telecommunications providers. As discussed herein, we adopt the rules appended to this decision as Attachment A in accordance with the legislative directives set forth in § 40-15-503(2)(b)(I), C.R.S.

2. We initiated the present proceeding by issuing a Notice of Proposed Rulemaking on November 29, 1995. *See* Decision No. C95-1173. Additionally, we issued a Supplemental Notice of Proposed Rulemaking in this docket on December 22, 1995. *See* Decision No. C95-1302. As explained in those decisions, the

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[1] As defined in the rules attached to this decision, "Interconnection" is the process of providing a connecting link between the networks of competing telecommunications providers for the purpose of completing local calls originating on the network of one provider and terminating on the network of another provider.

[2] "Unbundling", as defined in the adopted rules, is the disaggregation of facilities and functions into multiple network products or services, enabling those facilities and functions to be offered separately to other telecommunications providers in a manner that allows those providers to utilize such elements in the provision of their own services.

general intent of this proceeding is to comply with the provisions of the recently enacted House Bill 1335 ("HB 1335"), §§ 40-15-501 *et seq.*, C.R.S. The General Assembly adopted HB 1335 in the 1995 legislative session, determining that competition in the market for basic local exchange service is in the public interest. *See* § 40-15-101, C.R.S. Consistent with that determination, HB 1335 directs the Commission to encourage competition in the basic local exchange market by adoption and implementation of appropriate regulatory mechanisms to replace the existing regulatory framework. HB 1335 further mandates that the Commission adopt rules implementing cost-based, non-discriminatory, and unbundled methods of pricing for carrier interconnection to essential facilities or functions. *See* § 40-15-503(2)(b)(I), C.R.S.

3. In §§ 40-15-503 and 504 the Legislature established a Working Group comprised of providers and consumers of telecommunications services, representatives from the Governor's Office, Commission Staff, Legislative Staff, and other interested persons. The Working Group was directed to recommend proposed rules for consideration by the Commission in this docket as well as in related proceedings. On November 30 and December 20, 1995, the Working Group submitted its reports to the Commission. In addition to considering the written and oral comments submitted in this case, we have taken administrative notice of the reports filed by the Working Group. Those reports have been filed in Docket No. 95M-560T, the repository docket regarding implementation of HB 1335.

4. Commission Staff conducted a number of public outreach meetings throughout the state in September and October 1995 to solicit public comment regarding local telephone service. A report summarizing public comment as a result of those meetings has also been submitted in Docket No. 95M-560T.[3] We take administrative notice of that report for purposes of the present proceeding.

5. In accordance with our notices of proposed rulemaking, we conducted hearings in this matter on February 2 and 8, 1996. A number of parties submitted written and oral comments regarding proposed interconnection and unbundling rules, including: AT&T Communications of the Mountain States, Inc. ("AT&T"); AT&T Wireless Services; Colorado Independent Telephone Association ("CITA"); the Competitive Telecommunications Association ("Comptel"); ICG Access Services, Inc., and Teleport Denver Ltd. ("ICG"); MCI Telecommunications Corporation ("MCI"); MFS Intelenet of Colorado, Inc. ("MFS"); the Colorado Office of Consumer Counsel ("OCC"); Staff of the Commission ("Staff"); TCI Communications, Inc., Teleport Communications Group Inc., Sprint Telecommunications Venture, and

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[3] This report summarizes the comments (both oral and written) received during 16 public outreach meetings held throughout the state in September and October, 1995, to solicit input on competition to provide local telephone service and on a proposed "Telecommunications Consumers Bill of Rights" drafted by the Commission. Meetings were held in Breckenridge, Steamboat Springs, Glenwood Springs, Colorado Springs, Trinidad, La Junta, Lamar, Pueblo, Grand Junction, Montrose, Cortez, Durango, Alamosa, Fort Collins, Denver, and Fort Morgan. Participants represented a diverse cross-section of the public.

As stated in the report,

> An overriding concern expressed at the meetings was the question of whether statewide competition in the local telephone market is a realistic expectation, how long will it take competition to reach less densely-populated areas of the state, and how will the PUC manage the transition period?

Outreach Report at 4.